

New Financial Reporting Requirements for Incorporated Societies

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XRBB Accounting Standards Team

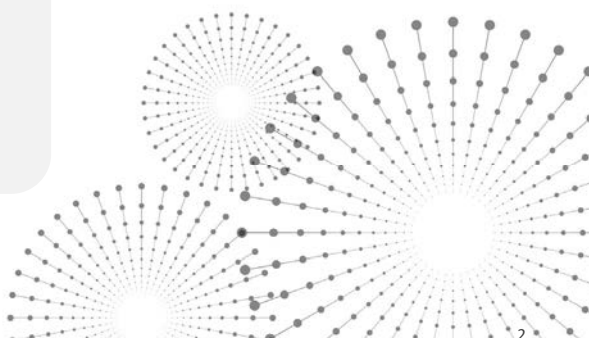
The XRBB Accounting Standards Team are responsible for developing and issuing the accounting standards that certain organisations (such as incorporated societies) are required by law to follow when preparing their annual financial statements

Your presenters today:

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- Jamie Cattell – Project Manager, Accounting Standards (jamie.cattell@xrb.govt.nz)

With a guest presenter from MBIE:

- Robert Clarke – Principal Policy Advisor (robert.clarke@mbie.govt.nz)



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MBIE Opening Karakia

- Tāwhia tō mana kia mau, kia māia
- Ka huri taku aro ki te pae kahurangi, kei reira te oranga mōku
- Mā mahi tahi, ka ora, ka puāwai
- Ā mātau mahi katoa, ka pono, ka tika
- TIHEI MAURI ORA

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Broader Context

- Now: Incorporated Societies Act 1908
- October 2023 – April 2026: Switch to Incorporated Societies Act 2022
- Upon switching:
 - No need to use a common seal
 - Can go down to 10 members
 - Must offer members a proper internal disputes mechanism
 - Some incorporated societies will need to change how they prepare their financial statements

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When new reporting requirements become effective

Incorporated Societies Act 2022

April 22
New Act passed

May 22 – Oct 23
Regulations developed to support new Act

Oct 23 – April 26
A Society will have 2½ years to register

Once a society reregisters, it will have to start using XRB standards when preparing its annual financial statements, unless it qualifies as a 'small society'.

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New Zealand Reporting Environment

Two key questions:

Who has to report?
Set in legislation

What information gets reported?
Set in standards

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Who has to report?

Incorporated Societies Act 2022

- Every society must within 12 months **prepare** and **file** with the Registrar annual financial statements
- All societies (**except those that are small**) will be required to prepare financial statements in accordance with standards issued by the XRB
- Annual financial statements of **certain societies** must be **audited**, as prescribed by regulations

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Who has to report?

'Small' societies

Total operating payments less than \$50,000 in each of the two preceding accounting periods; **and**

Total operating payments is the total amount of any payment (including grant payments) in the period, other than capital payments
Capital payments are payments for the purchase of assets with an expected life greater than twelve months

Total current assets less than \$50,000 at balance date for each of the two preceding periods; **and**

Draft: Current assets includes total assets excluding fixed assets
Fixed assets are items of property, plant, and equipment which are not expected to be sold within 12 months after the society's balance date

Is not a **donee organisation** as at the balance date

Is an organisation who have arranged with Inland Revenue for their donors to receive tax benefits for any donations made

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Who has to report?

Incorporated Societies Act 2022

- All societies (except those that are small) will be required to prepare financial statements in accordance with standards issued by the XRB

A “small society” may choose to follow either:

- XRB Standards (Tier 1 – 4); or
- The minimum requirements as prescribed by the Act.

Minimum requirements (section 104)

Financial statements must contain

- Statement of Income and Expenses/Receipts and payments
- Statement of Assets and Liabilities
- Any security interest over the society's assets



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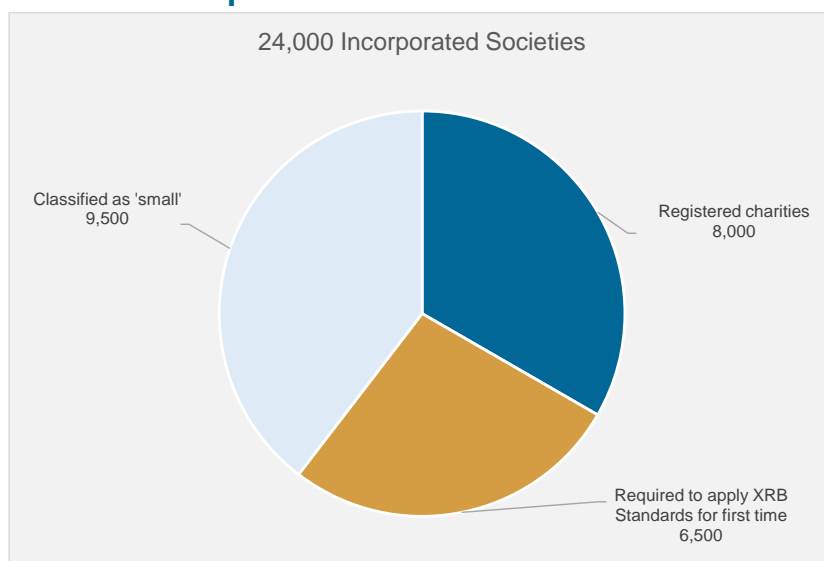
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Who has to report

Incorporated Societies Act 2022



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XRB Not-for-Profit Reporting Standards

Tier	Criteria	Standards
1	“Public Accountability” or Total expenses greater than \$30 million	PBE Standards – Based on IPSAS
2	Total expenses less than \$30 million	PBE Standards with reduced disclosure requirements (RDR)
3	Total expenses less than \$2 million	Simple Format Reporting – Accrual
4	Total operating payments less than \$140,000	Simple Format Reporting – Cash

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NFP Reporting Framework

Total Operating Payments

Total amount of any payment, other than a capital payment, made by the entity during the accounting period

- Includes grant payments and income tax payments

Capital payment

A payment made to purchase a resource with an expected life longer than 12 months to be used by the entity to support its activities or to provide services or products.

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Tier 1 and Tier 2

- Full suite of accounting standards for NFP entities with annual expenditure over \$2 million
- Based on International Standards
- Only a relatively small number of incorporated societies will fall into this group
- We recommend discussing with your professional advisers



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Tier 1 and Tier 2 Financial Statements

Non-financial information about activities and objectives	Statement of service performance
Revenue and expenses	Statement of comprehensive revenue and expense
Assets, liabilities, accumulated funds	Statement of financial position
Changes in accumulated funds	Statement of changes in net assets/equity
Cash received and cash paid	Statement of cash flows
How the entity has done its accounting	Statement of accounting policies
More detailed information about key items	Notes



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Tier 3 and Tier 4

- Simplified reporting for NFP entities with annual expenditure less than \$2 million
- Most incorporated societies will fall into this group

Development approach

- Single standard for each Tier
- Less technical language
- Simple requirements
- Focus on common transactions

Accompanying Resources

- Template performance reports
- Guidance notes

Tier 3 Standard

- Single standard
- Accrual based
- Common transactions
- Simple requirements

Non-financial information
about activities and objectives

Statement of service performance

Revenue and expenses

Statement of financial performance

Assets, liabilities,
accumulated funds

Statement of financial position

Cash received and cash paid


Statement of cash flows

How the entity has done its
accounting

Statement of accounting policies

More detailed information
about key items



Notes



Tier 4 Standard

- Single standard
- Cash based
- Very simple requirements

Non-financial information about activities and objectives	Statement of service performance
Cash received and cash paid	Statement of cash received and cash paid
Information about: <ul style="list-style-type: none"> • how the entity has done its accounting • significant assets and liabilities • other key items 	Accounting policies and notes (fairly limited)

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Statement of Service Performance

Service performance reporting requirements

Describe why the entity exists and what it hopes to achieve	Describes the significant activities the entity has undertaken during the year	Quantify to the extent practicable the significant activities undertaken during the year
<p>To support individuals of all ages and families to be healthy and active.</p> <p>To promote excellence in gymnsports and enable every participant to reach their potential</p>	<p>Running gymnsport classes for school-aged children</p> <p>Training competitive gymnasts</p> <p>Running school holiday programmes</p>	<p>Number of children enrolled</p> <p>Number of competitive gymnasts</p> <p>Percentage of gymnasts enrolled for the full year</p>

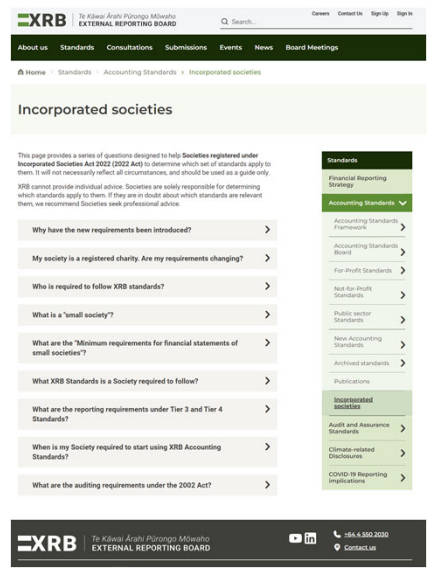
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More information

- New webpage for incorporated societies
- Answers some questions about the standards and how they apply

xrb.govt.nz/standards/accounting-standards/incorporated-societies



Questions?



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If you have a specific question for the Registrar of Incorporated Societies:

Contact us engage@societies.govt.nz

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Time for a quick poll..

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The slide features a large white arrow pointing right, set against a background of green geometric shapes and a network of white dots connected by lines. The text 'Time for a quick poll..' is centered in the white area.

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MBIE Closing Karakia

- Ka hiki te tapu
- Kia wātea ai te ara
- Kia turuki ai te ao mārama
- Hui ē, Tāiki ē

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The slide has a green header with a network pattern. The main content is on a white background. The text 'MBIE Closing Karakia' is at the top left. Below it is a bulleted list of four Māori phrases. At the bottom right are the logos for the Ministry of Business, Innovation & Employment and the New Zealand Companies Office.

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Thank you!

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